

JOURNAL

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Web site: www.bpa.gov/corporate/kc/home/journal

BPA sets its strategic direction

BPA has released its strategic direction for the future and is seeking customer and public feedback through April. The strategic direction includes four values that express the essence of BPA's public service to the Pacific Northwest. Those are: (1) low rates consistent with sound business principles; (2) high reliability; (3) environmental stewardship; and (4) regional accountability.

"Public service defines the way we make decisions," Administrator Steve Wright says. "It's not what's best for BPA but what's best for the public."

The strategic direction calls on BPA to focus on excellent operation of the core assets of the Federal Columbia River Power System so that those assets will benefit Northwest citizens and the nation's taxpayers well into the future. This includes:

- Lowering power rates and minimizing transmission rate increases consistent with sound business principles;
- Setting performance objectives for fish and wildlife programs and managing them cost effectively;
- Preserving the value of the federal base system;
- Protecting taxpayers and ratepayers;
- Building needed infrastructure within BPA's system;
- Supporting regional approaches to regional infrastructure development;
- Seeking simplicity and transparency; and
- Building for the future.

The strategy is not a decision process but rather an overall guiding direction for future decisions. Decisions on specific issues will be made in other processes, include rate cases and post-2006 contracts. "We're laying out the general course, the vector," Wright said. For details, see the Journal back page or go to www.bpa.gov/corporate/about_BPA/Strategy.cfm.

Agencies propose reducing summer spill

The U.S. Army Corps of Engineers and BPA, in consultation with NOAA Fisheries, have proposed a reduced summer spill regime for a three-year period and mitigation for potential effects on the Snake and Columbia rivers. The agencies' three-year pilot program proposes no spill at Ice Harbor Dam in the last half of July and no spill at Ice Harbor, John Day, The Dalles or Bonneville dams during August when few fish are present. The

proposal includes offsets to any potential harm done to migrating juvenile fall chinook and a plan to evaluate the effectiveness of the spill reduction at individual projects. The proposal was released March 30 for public comment through April 7. See the Federal Caucus Web site on www.salmonrecovery.gov for more information.



Fairchild Air Force Base is BPA's first customer and the first Northwest federal facility to support its entire electrical load with renewable energy, the largest share from wind. See page 2.

Moody's gives BPA top credit rating

Moody's Investment Service has raised its rating for BPA-backed bonds from Aa1 to Aaa, its highest rating. Moody's found confidence in BPA's actions to fully recover its costs and in its role as the primary provider of transmission and purveyor of low-cost hydropower in the Northwest. The security implied

by BPA's federal status also influenced the rating.

In its report, Moody's said, "Significant financial improvement in 2002 and 2003 were the result of expenditure reductions, a debt optimization plan, significant rate hikes and the combined effect of improving water conditions and less wholesale market price volatility. The significant rate hike was evidence of BPA's willingness to establish rates to recover its costs from users as required by federal statutes. BPA's use of the flexibility created by the debt optimization program to prepay higher cost U.S. Treasury obligations rather than lower



wholesale power rates was a positive long-term strategy to improve financial position.”

BPA has backed bonds issued by Energy Northwest and utilities that participate in conservation and renewable resource programs and another nuclear project. BPA is currently backing \$6.4 billion in outstanding non-federal debt. The rating means that interest could be somewhat lower to BPA in the future bond market. The Moody's report recognizes the degree to which BPA successfully managed through the West Coast energy crisis and drought of 2000-2001.

Olympic peninsula non-wires pilot project underway

The test to see if BPA can assure reliable transmission service to the Olympic Peninsula without building more transmission lines moved forward with contracts signed for the Olympic Peninsula Demand Response Pilot Project. The goal is to reduce peak transmission demand in the hopes of delaying or avoiding the need for new transmission lines.

BPA signed contracts with Mason County Public Utility District No. 3 of Shelton, Wash.; Port Townsend Paper Corporation of Port Townsend, Wash.; Nippon Paper Industries USA Ltd. of Port Angeles, Wash., the U.S. Naval Base in Bangor, Wash. and the U.S. Naval Station in Bremerton, Wash.

Under the program, which runs through March 31, 2005, BPA will pay these customers to reduce demand during critical peak hours. Using an internet-based trading program, BPA alerts customers of potential transmission constraints and the need for demand reductions. The companies can then accept, reject or counter the offer. Companies that agree to reduce their demand through the program can use backup generation or shift their load to other hours.

Fairchild Air Force Base rides the wind

Fairchild Air Force Base in Spokane, Wash., is giving Northwest wind energy a big boost and meeting its own renewable energy goals at the same time. The Air Force is now buying enough renewable power to meet 100 percent of the electrical load for the military base.

Fairchild's purchase is a combination of renewable energy and Renewable Energy Certificates, otherwise known as Green Tags. The tags are offered by BPA as a way to offset the costs of renewable energy development and production in the Pacific Northwest. Fairchild AFB requires about 7.5 average megawatts of power, an amount comparable to a community of about 5,000 homes.

Every certificate (tag) guarantees that one megawatt hour of wind energy is produced in the Northwest during the year.

Fairchild's purchase means that 7.5 aMW of renewable energy will be generated in the Northwest, 99 percent of which will come from wind projects under contract to BPA and 1 percent from small hydro. Fairchild's renewable resource mix will include 17 percent actual energy and the rest in Green Tags.

BPA will lease its own transmission line

One of the top projects in BPA's transmission infrastructure program is the 63-mile Schultz-Wautoma 500-kilovolt line from the Hanford Reservation to Ellensburg, Wash. The Transmission Business Line delayed construction of the line to explore financing alternatives that would allow construction of the project without putting pressure on BPA's limit on bonds it may have outstanding with the U.S. Treasury. When completed, the line will carry enough power to serve a city the size of Seattle at a total cost, including substations, of \$175 million. Construction is under way.

BPA will finance the construction of the Schultz-Wautoma project in part through a lease-purchase agreement with Northwest Infrastructure Financing Corp., a subsidiary of J.H. Management. The company sold \$119.6 million in bonds to finance the construction. The 30-year bonds carry an interest rate of 5.47 percent. The portions of the project to be financed under the lease-purchase will relate only to towers and lines. Other parts of the project, such as the Wautoma Substation, roads, and rights-of-way will be owned and financed by BPA using traditional U.S. Treasury borrowing. BPA lease revenues will back the bonds.

BPA will lease the assets from Northwest Infrastructure Financing Corp. for 30 years but will manage construction and will exclusively operate the line. At the end of the lease, after the bonds are repaid, BPA, could at its option, have full ownership.

Energy efficiency knows no bounds

In its never-ending quest for greater energy efficiency, BPA and its partners explore many aspects of society. Including sewers.

Since 1998, BPA has supported a Northwest Energy Efficiency Alliance project in municipal wastewater facilities. Under the program, BPA contracts with the firm BacGen to analyze and recommend energy efficiency improvements to waste water systems in 10 communities served by BPA customers. BacGen focuses first on controls for system loading, aeration, nutrient removal, disinfection and pumping functions. In some cases, municipalities also upgrade plant equipment such as pumps, blowers, motors and piping. Communities that have completed demonstration projects have realized energy savings from 10 to 40 percent through reduced operating costs and reduced environmental impacts of their facilities.

At the suggestion of a BPA employee, BacGen expanded its services to include water supply systems, doubling the potential energy savings. Now, the nonprofit Consor-

tium for Energy Efficiency is using the business model developed in the Northwest to develop a national initiative to save energy in water and wastewater facilities.

PUBLIC INVOLVEMENT Updates and Notices

NEW PROJECTS

FERC Order 2003-A: Large Generator Interconnection

The Transmission Business Line will be holding a public meeting on April 22 to discuss its proposed compliance filing of FERC Order 2003-A. This meeting is a reschedule of a March 19, 2004, meeting due to FERC's recent release of an updated order carrying significant and numerous changes that TBL must reconsider for its proposed filing. TBL will be posting a red-lined version of the order for public comment prior to the public meeting. More information is available at http://www2.transmission.bpa.gov/Business/Customer_Forum_and_Feedback/FERC_order_2003/. Please contact tblfeedback@bpa.gov for questions or comments. (See calendar of events.)

Reduction in Summer Spill Proposal

The U.S. Army Corps of Engineers and BPA, in consultation with NOAA Fisheries, released a proposal to reduce summer spill regime for a three-year period and mitigation for potential effects on the Snake and Columbia rivers. (See the story in the news section.) The proposal was released on March 30 and public comment accepted through April 7. See <http://salmonrecovery.gov> for more information.

ENERGY EFFICIENCY – ONGOING PROJECTS

Annual Review of the Conservation and Renewables Discount (C&RD) Program – Regionwide

The annual review process in the C&RD Manual prescribes the BPA Energy Efficiency group to solicit comments for improvements in the program. For fiscal year 2005 the comment closed March 31, 2004. Before final decisions will be made, all comments will be compiled into one document for a 30-day public review beginning May 1, 2004. This document will be posted on the web at http://www.bpa.gov/Energy/N/projects/cr_discount/index.shtml. This site also provides a link to the Regional Technical Forum, which has a list of the currently approved efficiency measures.

FISH AND WILDLIFE – ONGOING PROJECTS

Grande Ronde and Imnaha Spring Chinook Project EIS – Wallowa and Union counties, Ore.

Fish trapping, incubation, rearing and release hatchery facilities are proposed to help boost spring chinook salmon populations in the Grande Ronde and Imnaha river basins of Northeast Oregon. Planned facilities would modify and augment existing Lower Snake River Compensation Plan facilities. The DEIS is available on CD, in hard copy or online at <http://www.efw.bpa.gov> under links to environmental analysis/planning and active projects. Public review and comment period ended July 7, 2003. Responses and an FEIS are being prepared.

Methow Valley Irrigation District Supplemental EA – Okanogan County, Wash.

BPA proposes to fund a fish screen replacement project for the Methow Valley Irrigation District in Okanogan County, Wash. The proposed screen replacement improvements, located on the Twisp and Methow rivers, are related to a proposal to rehabilitate the MVID irrigation system. BPA prepared an EA and FONSI for the larger proposal in 1997. BPA issued a preliminary EA for the current fish screen replacement proposal Dec. 4, 2003. Public comment period closed Jan. 2, 2004. A final EA and FONSI were completed in March, and are available on BPA's Web site at <http://www.efw.bpa.gov/cgi-bin/PSA/NEPA/SUMMARIES/MethowValley>.

Salmon Creek EIS – Okanogan County, Wash.

BPA proposes to fund a project to enhance fish habitat and passage and to increase instream flows in 4.3 miles of lower Salmon Creek, a tributary of the Okanogan River. The project would rehabilitate the stream channel, revegetate stream banks and increase streamflows. A DEIS is scheduled for release in spring 2004.

South Fork Flathead Watershed/Westslope Cutthroat Trout Conservation Program EIS – Flathead National Forest, Mont.

BPA proposes to fund a project to remove exotic trout species from selected lakes in the South Fork of the Flathead drainage. BPA is preparing an EIS. Additional information is available at <http://www.efw.bpa.gov/cgi-bin/PSA/NEPA/SUMMARIES/MountainLakesTrout>.

POWER – ONGOING PROJECTS

BPA's Power Supply Role After 2006 – Regionwide

BPA plans to initiate discussions later this spring regarding how it will market power and share the costs and benefits of the Federal Columbia Power River System in the Pacific Northwest after 2006. The schedule has not yet been finalized, but the discussions will provide ample opportunity for all interested parties to participate. As details of the process become available, updated information will be posted to BPA's Web site at <http://www.bpa.gov/power/regionaldialogue>.

TRANSMISSION – ONGOING PROJECTS

Bonneville-Alcoa Access Road Project EA – Skamania County, Wash.

BPA proposes to establish a half-mile-long access road along the Bonneville-Alcoa 115-kV transmission line. The proposed road is located approximately 3.5 miles west of Skamania, Wash. The preliminary EA was released in July 2003. The final EA was released in February 2004. See http://www2.transmission.bpa.gov/PlanProj/Transmission_Projects/ for more information.

BP Cherry Point Cogeneration Project Interconnection EIS – Whatcom County, Wash.

BP West Coast Products LLC has requested interconnection of its proposed 720-MW combustion turbine project at its Cherry Point Refinery near the community of Birch Bay, Wash. The project may require rebuilding an existing single-circuit 230-kV transmission line to double-circuit from Cherry Point to Custer Substation and is subject to Washington state energy facility siting processes. BPA and Washington EFSEC developed a joint SEPA/NEPA DEIS, which was released September 2003. The comment period for the joint SEPA/NEPA ended Nov. 3, 2003. The final EIS is scheduled for release in spring 2004. See http://www2.transmission.bpa.gov/PlanProj/Transmission_Projects/ for more information.

COB Energy Facility Interconnect EIS – Klamath County, Ore.

Peoples Energy Resources Corp. has requested interconnection of its proposed 1,200-MW combustion turbine project at a site near Bonanza in Klamath County, Ore. The project would require a new 500-kV transmission line to BPA's Captain Jack Substation. The project is subject to Oregon Energy Facility Siting Council certification. The DEIS was released for public review in November 2003 and the comment period ended Feb. 13, 2004. Public meetings were held Jan. 22, 2004, in conjunction with Oregon EFSC hearings. The final EIS is scheduled for release spring 2004. See http://www2.transmission.bpa.gov/PlanProj/Transmission_Projects/ for more information.

Grand Coulee-Bell 500-kV Transmission Line – Spokane and Lincoln counties, Wash.

Construction is under way on the rebuilding of 84 miles of an existing 115-kV wood-pole transmission line with a new, higher capacity 500-kV steel lattice line. The transmission line corridor between the Grand Coulee and Bell substations currently contains two 115-kV transmission lines on two wood-pole structures and three 230-kV transmission lines on two steel lattice structures. The existing transmission lines cannot reliably move power from existing generation sources east of Spokane to the west. See http://www2.transmission.bpa.gov/PlanProj/Transmission_Projects/ for more information and construction photos.

Hanford Reach National Monument CCP/EIS – Benton, Franklin and Grant counties, Wash.

BPA is participating as a cooperating agency in a land management planning process led by the U.S. Fish and Wildlife Service. The USFWS seeks to develop a comprehensive conservation plan as required by the Refuge System Improvement Act of 1997. BPA is providing information and writing sections of the plan that pertain to transmission facilities, roads, energy facilities and river flow management within the monument. A DEIS is scheduled for release in 2004.

Nisqually Transmission Line Relocation Project EA – Thurston County, Wash.

BPA is proposing to relocate two miles of transmission line corridor off the Nisqually Indian Reservation in Thurston County, Wash. BPA has an existing transmission line corridor across the reservation and a portion of the Fort Lewis military base just north of State Route 510. This corridor contains two transmission lines: the Olympia-Grand Coulee 287-kV line and the Olympia-South Tacoma 230-kV line. This relocation is being proposed because the 50-year easement for one of the lines on the reservation has expired. Public scoping meetings were held Oct. 21 and Oct. 22, 2003. BPA is developing a preliminary EA scheduled for release spring 2004 and the final EA is scheduled for release fall 2004. The scoping comment period ended Nov. 21, 2003. See http://www2.transmission.bpa.gov/PlanProj/Transmission_Projects/ for more information.

Raymond-Cosmopolis 115-kV Transmission Line EA – Grays Harbor and Pacific counties, Wash.

BPA proposes to rebuild an existing 115-kV transmission line between Raymond and Cosmopolis, roughly parallel to Highway 101. Most of the 18-mile-long line will remain in the existing right-of-way. The preliminary EA was released for public review in February. Public meetings were held in February and the comment period ended Feb. 26, 2003. The final EA and FONSI were released Sept. 5, 2003. Line construction is scheduled to begin in spring 2004 and be completed by fall 2004. See http://www2.transmission.bpa.gov/PlanProj/Transmission_Projects/ for more information.

Schultz-Wautoma Area 500-kV Line Project – near Ellensburg to near the Hanford Reservation, Wash.

BPA is building a new 500-kV line from Schultz Substation to the new Wautoma Substation southwest of the Hanford Monument. An FEIS was released in February 2003. The ROD was released in March 2003. Construction on the new Wautoma Substation began May 5, 2003, and is nearly complete. Construction of the Sickler-Schultz portion of the line began February 2004. Fiber construction began in late January 2004. The project will be completed by November 2005. See http://www2.transmission.bpa.gov/PlanProj/Transmission_Projects/ for more information and construction photos.

SnoKing Tap to Monroe-Echo Lake Project – Snohomish County, Wash.

This project allowed BPA's existing 500-kV SnoKing Tap to Monroe-Sammamish 230-kV transmission line to be reconnected to the Monroe-Echo Lake 500-kV transmission line as part of several projects known as the Puget Sound Area Additions. The SnoKing Tap to Monroe-Echo Lake 500-kV transmission line was energized to 500-kV Sept. 29, 2003. The original transmission line was constructed in the 1970s as a 500-kV line but had been operated at 230-kV until recently. An increase in ambient noise levels was anticipated but the level of concern from area residents along the transmission line and in the vicinity of the SnoKing Substation was not. BPA held a public meeting Jan. 27, 2004, to respond to public concern about the voltage and noise increase and to discuss recommendations. See http://www2.transmission.bpa.gov/PlanProj/Transmission_Projects/ for more information.

Transmission Business Policy EIS – Regionwide

The Transmission Business Policy EIS will look at a broad range of policy options for supporting decisions on issues related to the planning, construction, operation, marketing and maintenance of the transmission system. The Transmission Business Policy EIS will enhance BPA's understanding of the impacts its transmission policy and planning activities have on the human environment and support the agency's transmission business decisions. The scoping period began in December 2003 and closed March 31, 2004. Public scoping meetings were held Jan. 13, 14, 15, 27 and Feb. 26. See <http://www2.transmission.bpa.gov/PlanProj/> for more information.

Wanapa Energy Center Generation Project EIS – Umatilla County, Ore.

The Confederated Tribes of the Umatilla Indian Reservation requested interconnection of the Wanapa Energy Center, a proposed 1,300-MW gas-fired combined-cycle combustion turbine project, into the transmission grid. The project would be located on tribal trust land. The Bureau of Indian Affairs released the DEIS in October 2003. BPA is participating as a cooperating agency. Two public meetings were held in December 2003. The comment period ended Dec. 29, 2003. A FEIS is scheduled for spring 2004, with a ROD to follow. See <http://www2.transmission.bpa.gov/PlanProj/> for more information.

SUPPLEMENT ANALYSES

Watershed Management Program EIS:

- SA-135 Idaho Model Watershed Habitat Projects – Muddy Springs/Pahsimeroi Fence. Custer County, Idaho
- SA-136 SMC-02 Diversion Elimination at S-23 Pump Screen, Custer County, Idaho

CLOSE OF COMMENT

April 7 - Reduction in Summer Spill Proposal

CALENDAR OF EVENTS

Non-Wires Solutions Round Table Conference Call

- April 21, 9 to 11 a.m., 905 NE 11th Ave., Room 122, Portland, Ore.
Or call 503-230-5566, passcode 2995#

FERC Order 2003-A: Large Generator Interconnection

- April 22, 9 a.m. to noon, Parkway Plaza One, Room 40, Vancouver, Wash.

If you have questions or comments, or you want to be added to the mailing list for any project, call (503) 230-3478 (Portland) or 1-800-622-4519.

To order copies of documents, call: 1-800-622-4520 or (503) 230-7334. Written comments may be sent to: BPA, P.O. Box 14428, Portland, OR 97293-4428. E-mail address: comment@BPA.gov. BPA home page: <http://www.bpa.gov>. For details on BPA environmental reviews listed above, including site maps and documents issued to date, see <http://www.efw.bpa.gov/cgi-bin/PSA/NEPA/Projects>. Process Abbreviations: EA-Environmental Assessment, EFSEC-Washington Energy Facility Site Evaluation Council, EFSC-Oregon Energy Facility Siting Council, EIS-Environmental Impact Statement, DEIS-Draft Environmental Impact Statement, FEIS-Final Environmental Impact Statement, FONSI-Finding of No Significant Impact, NOI-Notice of Intent, ROD-Record of Decision, SA-Supplement Analysis.

